COVER SHEET

SEC Registration Number

						1	1	6	0	3

Company Name

REPUBLIC GLASS HOLDINGS CORPORATION AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town/Province)

6TH FLOOR, REPUBLIC GLASS BUILDING, 196 SALCEDO STREET, LEGAASPI VILLAGE, MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
17Q	HRAD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
reg.ir.@repglass.net	8175011	09166163029

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
1229	April 30	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Florence Wong	fcw@rghc.net	8175011	09178560665

Contact Person's Address

6F Republic Glass Bldg. 196 Salcedo St., Legaspi Village, Makati City 1229

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

ANNUAL REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE AND
SRC RULE 17(2)(b) THEREUNDER

1 **June 30, 2016**
For Fiscal Year ended

2 **11603**
SEC Identification Number

3 **000-141-079-000**
BIR Identification Number

4 **REPUBLIC GLASS HOLDINGS CORPORATION**
Exact name of registrant as specified in its charter

5 **Manila, Philippines**
Incorporated in

6
Industry Classification Code

7 **6th Floor Republic Glass Bldg, 196 Salcedo St.,**
Legaspi Village, Makati City,1229
Address of principal office

8 **(632)817-5011 to 13**
Registrant's Telephone number, including area code

9 **N.A.**
Former name or former address, if changed since last report

10 **Securities registered pursuant to Section 4 and 8 of RSA**

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares Par P1.00 par value	**682,065,632**

11 **Are any or all of the securities listed on the Philippine Stock Exchange**
Yes { ✓ } ***No { }***
If yes, state the name of such Stock Exchange and the class/es of securities listed therein.
Philippine Stock Exchange **Common Stock**

12 Indicate by check mark whether the registrant:

(a)Has filed all reports required to be filed by Section 17 of the Revised Securities Act (RSA) and RSA Rule 17(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (of for such shorter period the registrant was required to filed such reports).

Yes { ✔ } *No* { }

(b)Has been subject to such filing requirements for the past 90 days

Yes { ✔ } *No* { }

PART I- FINANCIAL INFORMATION

Item 1. Financial Statements. **Please see attachments**

Item II. Management's Discussion and Analysis of Financial Condition and Results of Operations. **Please see attachments**

PART II- OTHER INFORMATION

The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclose of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer **GERONIMO F. VELASCO, JR.**

Signature and Title Chief Executive Officer

Date August 15, 2016

Issuer **FLORENCE WONG**

Signature and Title Chief Financial Officer

Date August 15, 2016

REPUBLIC GLASS HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	June 30, 2016 (Unaudited)	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	**₱945,027**	₱957,263
Short-term investments	**83,868**	83,795
Financial assets at fair value through profit or loss	**402,126**	375,580
Receivables	**36,114**	8,155
Other current assets	**2,096**	1,594
Total Current Assets	**1,469,231**	1,426,387
Noncurrent Assets		
Available-for-sale financial assets	**315,320**	315,237
Investment properties	**1,863**	1,863
Property and equipment	**10,550**	11,753
Deferred tax assets	**3,596**	3,596
Total Noncurrent Assets	**331,329**	332,449
	₱1,800,560	₱1,758,836
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	**₱2,037**	₱4,637
Dividends payable	**34,086**	34,930
Customersô deposits	**61**	61
Income tax payable	**13**	247
Total Current Liabilities	**36,197**	39,875
Noncurrent Liabilities		
Accrued retirement costs	**4,654**	5,324
Deferred tax liability	**75,228**	75,228
Total Noncurrent Liabilities	**79,882**	80,552
Total Liabilities	**116,079**	120,427
Equity		
Capital stock	**738,314**	738,314
Additional paid-in capital	**9,103**	9,103
Cumulative translation adjustments of a foreign subsidiary	**19,323**	19,323
Cumulative unrealized gain on valuation of available-for-sale financial assets	**2,205**	2,123
Retained earnings		
Appropriated	**400,000**	400,000
Unappropriated	**609,446**	563,456
Treasury stocks	**(93,910)**	(93,910)
Total Equity	**1,684,481**	1,638,409
	₱1,800,560	₱1,758,836

See accompanying Notes to Consolidated Financial Statements.

REPUBLIC GLASS HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

(Amounts in Thousands, Except Earnings Per Share)

	January to June		April to June	
	2016	2015	**2016**	2015
REVENUE				
Investment income	**₱58,701**	₱28,766	**₱44,523**	₱12,124
Rental income	**59**	57	**30**	20
	58,760	28.823	**44,553**	12,144
GENERAL AND ADMINISTRATIVE EXPENSES	**(11,524)**	(24,267)	**(6,388)**	(18,386)
FOREIGN EXCHANGE GAIN (LOSS) - Net	**-**	212	**685**	168
GAIN ON SALE OF INVESTMENT PROPERTIES	**-**	753	**-**	-
OTHER INCOME	**326**	40	**326**	-
INCOME BEFORE INCOME TAX	**47,562**	5,561	**39,176**	(6,074)
PROVISION INCOME TAX	**1,572**	1,506	**767**	710
NET INCOME (LOSS)	**₱45,990**	₱4,055	**₱38,409**	₱(6,784)
Basic/Diluted Earnings (Loss) Per Share	**₱0.07**	₱0.01	**₱0.06**	₱-

See accompanying Notes to Consolidated Financial Statements.

REPUBLIC GLASS HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

(Amounts in Thousands)

	January to June		April to June	
	2016	2015	**2016**	2015
NET INCOME (LOSS)	**₱45,990**	₱4,055	**₱38,409**	₱(6,784)
OTHER COMPREHENSIVE INCOME (LOSS)				
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:				
Change in cumulative translation adjustments of a foreign subsidiary	**-**	3,185	**8,449**	2,491
Unrealized gain on valuation of available-for-sale financial assets	**82**	295	**82**	(41)
	82	3,480	**8,531**	2,450
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱46,072**	₱7,535	**₱46,940**	₱(4,334)

See accompanying Notes to Consolidated Financial Statements.

REPUBLIC GLASS HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands, Except Cash Dividends Per Share)

			Cumulative Translation Adjustments of a Foreign	Cumulative Unrealized Gain (Loss) on Valuation of	Retained Earnings			
	Capital Stock	Additional Paid-in Capital	Subsidiary	Available-for-Sale Financial Assets	Appropriated	Unappropriated	Treasury Stocks	Total Equity
Balance at December 31, 2015	**₱738,314**	**₱9,103**	**₱19,323**	**₱2,123**	**₱400,000**	**₱563,456**	**(₱93,910)**	**₱1,638,409**
Profit (loss) for the period	**–**	**–**	**–**	**–**	**–**	**45,990**	**–**	**45,990**
Other comprehensive income (loss)	**–**	**–**	**-**	**82**	**–**	**–**	**–**	**82**
Balance at June 30, 2016 (Unaudited)	**₱738,314**	**₱9,103**	**₱19,323**	**₱2,205**	**₱400,000**	**₱609,446**	**(₱93,910)**	**₱1,684,481**
Balance at December 31, 2014	₱738,314	₱9,103	(₱1,521)	₱546	₱400,000	₱691,606	(₱93,910)	₱1,744,138
Profit for the period	ï	ï	ï	ï	ï	4,055	ï	4,055
Other comprehensive income	ï	ï	3,185	295	ï	ï	ï	3,480
Balance at June 30, 2015 (Unaudited)	₱738,314	₱9,103	₱1,664	₱841	₱400,000	₱695,661	(₱93,910)	₱1,751,673
Balance at December 31, 2014	₱738,314	₱9,103	(₱1,521)	₱546	₱400,000	₱691,606	(₱93,910)	₱1,744,138
Profit (loss) for the period	ï	ï	ï	ï	ï	(27,515)	ï	(27,515)
Other comprehensive income (loss)	ï	ï	20,844	1,577	ï	1,625	ï	24,046
Cash dividends - ₱0.15 per share	ï	ï	ï	ï	ï	(102,260)	ï	(102,260)
Balance at December 31, 2015	₱738,314	₱9,103	₱19,323	₱2,123	₱400,000	₱563,456	(₱93,910)	₱1,638,409

See accompanying Notes to Consolidated Financial Statements.

REPUBLIC GLASS HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(Amounts in Thousands)

	Period Ended June 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**47,562**	₱5,561
Adjustments to reconcile income before income tax to net cash flows:		
Investment income	**(46,852)**	(25,202)
Mark-to-market gain (loss) on financial assets at fair value through profit or loss	**11,849**	(3,708)
Depreciation	**1,359**	1,611
Unrealized foreign exchange loss	–	(212)
Bank charges	**420**	510
Loss on redemption of available-for-sale financial assets	–	144
Gain on sale of investment properties	–	(753)
Working capital adjustments:		
Decrease (increase) in:		
Financial assets at fair value through profit or loss	**(38,395)**	(50,063)
Receivables and other current assets	**(28,597)**	101
Increase (decrease) in:		
Accounts payable and other current liabilities	**(2,600)**	(6,007)
Movement in accrued retirement costs	**(670)**	(3,000)
Net cash used in operations	**(55,924)**	(81,018)
Receipt of income from investment	**46,988**	26,063
Income taxes paid	**(1,806)**	(1,987)
Net cash flows from operating activities	**(10,742)**	(56,942)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Available-for-sale financial assets	–	(18,000)
Property and equipment	**(157)**	ï
Decrease (increase) in short-term investments	**(73)**	37,388
Decrease in investment subject to a repurchase	–	186,175
Proceed from sale of investment properties	–	897
Net cash flows from (used in) investing activities	**(230)**	206,460

(Forward)

	Period Ended June 30	
	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Dividends	**(₱844)**	(₱744)
Bank charges	**(420)**	(510)
Net cash used in financing activities	**(1,264)**	(1,254)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(12,236)**	148,264
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**-**	3,400
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**957,263**	849,673
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱945,027**	₱1,001,337

See accompanying Notes to Consolidated Financial Statements.

REPUBLIC GLASS HOLDINGS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Par Value and Earnings Per Share)

1. **Corporate Information**

Republic Glass Holdings Corporation (the Parent Company) is a publicly-listed holding entity involved in purchasing, leasing, selling securities of every kind and business. On October 29, 2004, the Philippine Securities and Exchange Commission (SEC) approved the Parent Companyôs application for the extension of its corporate term, which expired on August 23, 2006, for another 50 years.

The registered office address of the Parent Company and its subsidiaries (collectively referred to as ñthe Companyò) is 6th Floor, Republic Glass Building, 196 Salcedo Street, Legaspi Village, Makati City.

The Parent Company is 67.39%-owned by Gervel, Inc., the ultimate parent company, also incorporated in the Philippines.

2. **Basis of Preparation and Summary of Significant Accounting Policies**

Basis of Preparation
The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets and financial assets at fair value through profit or loss (FVPL) which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso, which is the Parent Companyôs functional and presentation currency. All values are rounded to the nearest thousands, except when otherwise indicated. The Parent Company also files separate financial statements with the SEC.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its wholly owned subsidiaries as at June 30, 2016 and for period ended June 30, 2016 and 2015.

The consolidated subsidiaries (collectively referred to as ñSubsidiariesò) include the following:

Subsidiaries	Principal Activities	Place of Incorporation	Percentage of Ownership
RGC Investment Corporation (RIC)	Investing	Philippines	100
Hollington Management Limited (HML)	Investing	British Virgin Island	100
RGC Marine Transport Corporation (RMTC)*	Shipping	Philippines	100

** Ceased commercial operations in 1999.*

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Companyøs accounting policies.

All intra-Company assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

<u>Changes in Accounting Policies and Disclosures</u>
The Company applied for the first time certain amendments, which are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments did not have any impact on the consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception* (Amendments)
- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements (Amendments)*
- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
- PAS 1, *Presentation of Financial Statements – Disclosure Initiative* (Amendments)
- PAS 14, *Regulatory Deferral Accounts*
- PAS 16, *Property, Plant and Equipment, and PAS 41, Agriculture – Bearer Plants*
- PAS 16, *Property, Plant and Equipment,* and PAS 38, *Intangible Assets – Clarifications of Acceptable Methods of Depreciation and Amortization* (Amendments)

- Annual Improvements to PFRSs (2012-2014 cycle)
  - PFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*
  - PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*
  - PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - PAS 19, *Employee Benefits – regional market issue regarding discount rate*

- PAS 34, *Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'*

New standards and interpretations that have been issued but are not yet effective

The standards and interpretations that are issued but not yet effective as of June 30, 2016 are listed below. The Company intends to adopt these standards and interpretation when they become effective. Adoption of these standards and interpretations are not expected to have any significant impact on the financial statements of the Company.

No definite adoption date prescribed by the SEC and Philippine Financial Reporting Standards Council (FRSC)

▪ Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

Effective January 1, 2018 and onwards

▪ PFRS 9, *Financial Instruments*
  In July 2014, the IASB issued the final version of International Financial Reporting Standard (IFRS) 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

  The Company does not expect the adoption of PFRS 9 to have any significant impact on the Companyȇs consolidated financial statements.

In addition, the International Accounting Standards Board has issued the following new standards that have not yet been adopted locally by the SEC and FRSC. The Company is currently assessing the impact of these new standards and plans to adopt them on their required effective dates once adopted locally.

▪ International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers* (effective January 1, 2018)

▪ IFRS 16, *Leases* (effective January 1, 2019)

Current versus Noncurrent Classification

The Company presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification. An asset is current when:

▪ It is expected to be realized or intended to be sold or consumed in the normal operating cycle
▪ It is held primarily for the purpose of trading
▪ It is expected to be realized within twelve months after the reporting period, or
▪ It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

▪ It is expected to be settled in the normal operating cycle
▪ It is held primarily for the purpose of trading
▪ It is due to be settled within twelve months after the reporting period, or
▪ There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Financial Instruments ï Initial Recognition and Subsequent Measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a. Financial Assets

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as FVPL, loans and receivables, held-to-maturity investments (HTM), AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVPL, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets with in a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Companyøs financial assets include cash and cash equivalents, short-term investments, financial assets at FVPL, receivables, investment subject to a repurchase agreement, and AFS financial assets.

The Company has no HTM investments.

Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified in the following categories:

- *Financial Assets at FVPL.* Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value.

  Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVPL. This category includes the Companyøs investment in corporate and government bonds, treasury notes and other equity securities.

- *Loans and Receivables*. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in interest income in the consolidated statement of comprehensive income. The losses arising from impairment are recognized in the consolidated statement of comprehensive income in interest expense for loans and in costs of services or general and administrative expenses for receivables.

This category includes the Companyǿs cash and cash equivalents, short-term investments, receivables, and investment subject to a repurchase agreement.

- *AFS Financial Asset.* AFS financial asset include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

  After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income.

  AFS equity investments whose fair value cannot be reliably measured are measured at cost less any impairment. If a reliable measure of fair value subsequently becomes available, the asset is remeasured at fair value, and the corresponding gain or loss is recognized in OCI (provided it is not impaired). If a reliable measure ceases to be available, the AFS equity investment is thereafter measured at cost, which is deemed to be the fair value carrying amount on that date. Any gain or loss previously recognized in OCI shall remain in equity until the asset has been sold, otherwise disposed of or impaired, at which time it is reclassified to profit or loss.

  The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

  For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of income.

  This category includes the Companyǿs investments in quoted and unquoted equity.

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the consolidated statement of financial position) when:
- The Companyǿs rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ñpass-throughò arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has

neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Companyôs continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

- *Impairment of Financial Assets*. The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred ñloss eventò), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. *Financial Assets Carried at Amortized Cost.* For financial assets carried at amortized cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

  The amount of any impairment loss identified is measured as the difference between the assetôs carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assetôs original effective interest rate.

  The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income (recorded as interest income in the consolidated statement of comprehensive income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account in the consolidated statement of income. If a write-off is later recovered, the recovery is credited to interest expense in the consolidated statement of comprehensive income.

- *AFS Financial Asset.* For AFS financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. ñSignificantò is evaluated against the original cost of the investment and ñprolongedò against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss ï measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income ï is removed from OCI and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

b. Financial Liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Companyôs financial liabilities include accounts payable and other current liabilities, customersô deposits and dividends payable.

The Company has no financial liabilities at FVPL or derivative liabilities designated as hedging instruments.

Subsequent Measurement. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as interest expense in the consolidated statement of income.

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

c. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Fair Value Measurement

The Company measures financial assets at FVPL and AFS financial assets at fair value at each reporting date. Also, fair values of investment properties measured at cost and financial instruments measured at amortized cost are disclosed.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 ð Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 ð Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 ð Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Short-term Investments
Short-term investments include highly liquid investments that are readily convertible to known amounts of cash with original maturities of more than three months but not more than one year from dates of acquisition and are subject to an insignificant risk of change in value.

Investment Properties
Investment properties consist of parcels of land and other real estate properties which are being held by the Company for capital appreciation or for rental. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties, except land, are measured at cost less accumulated depreciation and impairment loss. Land is carried at cost less any impairment in value.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Land improvements	5ï 10 years
Buildings and improvements	10 years

The useful lives and method of depreciation are reviewed periodically to ensure that periods and method of depreciation are consistent with the expected pattern of economic benefits from items of the investment.

Investment properties are derecognized when either these have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties, which is measured as the difference between the sales proceeds and the carrying value of the investment property, are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is change in use evidenced by ending of owner-occupation, or commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

For a transfer from investment properties to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its carrying value at the date of change in use. If the properties occupied by the Company as owner-occupied properties become investment properties, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Property and Equipment
Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

When each major repair and maintenance is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of income.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Building and improvements	5ï 40 years
Transportation equipment	4ï 10 years

Furniture, fixtures and equipment	2ï 10 years

The assetsô residual values, useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, at each financial year-end.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year the asset is derecognized.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use.

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the assetø recoverable amount. An assetø recoverable amount is the higher of an assetø or cash-generating units (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies, or other available fair value indicators.
The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Companyø CGUs to which the individual assets are allocated. For longer periods, a long-term growth rate is calculated and applied to project future cash flows.

Impairment losses are recognized in profit or loss in the expense category consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assetø recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss, unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the assetø revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Employee Benefits
Defined Benefit Plan. The net defined benefit liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting date reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling

is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Employee Leave Entitlement. Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Equity

Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deductions from proceeds, net of tax.

Retained earnings represent the accumulated earnings, net of dividends declared.

Other comprehensive income comprises items of income and expense, including reclassification adjustments that are not recognized in profit or loss as required or permitted by other PFRS.

Treasury stocks are the Parent Companyǿs own equity instruments that are reacquired or held by a subsidiary which are carried at cost and are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Parentǿs own equity instruments. Any difference between the par value of shares issued and the consideration received are recognized in additional paid-in capital.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding discounts, rebates and value-added tax (VAT) or duty. The Company assesses its revenue against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Investment Income. Revenue from cash in bank, time deposits, bonds and placements are recognized as the income accrues, taking into account the effective yield on the assets. Revenue from investment subject to a repurchase agreement is recognized when the Companyȏs right to receive payment is established.

Rental Income. Revenue from investment properties is accounted for on a straight-line basis over the lease term.

Dividend Income. Revenue is recognized when the Companyȏs right to receive the payment is established.

<u>Costs and Expenses</u>
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. General and administrative expenses, interest expense and other expenses are recognized in profit or loss in the period these are incurred.

<u>Leases</u>
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date or whether the fulfillment of the arrangement is dependent on the use of a specific asset or arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Company as a Lessor. Leases where the Company retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Operating lease receipts from lessees are recognized as income in profit or loss on a straight-line basis over the lease term.

Company as a Lessee. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight line basis over the lease term.

<u>Taxes</u>
Current Tax. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax. Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax and any unused net operating loss carryover (NOLCO). Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value Added Tax. Revenues, expenses and assets are recognized net of the amount of sales tax.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the consolidated statement of financial position.

<u>Foreign Currency-denominated Transactions and Translations</u>
The Companyǿs consolidated financial statements are presented in Philippine peso, which is also the Parent Companyǿs functional currency. For each entity, the Company determines the functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions and Balances. Transactions in foreign currencies are initially recorded by the

Companyôs entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Companyôs net investment of a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Foreign Operations. On consolidation, the assets and liabilities of foreign operations are translated into Philippine pesos at the rate of exchange prevailing at the reporting date and the statement of income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in profit or loss.

The functional currency of HML, a subsidiary, is the United States (US) Dollar. As of the reporting date, assets and liabilities of HML are restated into the functional and presentation currency of the Parent Company (the Philippine Peso) using the closing exchange rate at the reporting date and items in the statement of comprehensive income are translated at weighted average exchange rates for each month of the year. The exchange rate differences arising on the translation are reported as other comprehensive income (OCI) in the consolidated statement of comprehensive income and taken directly as a separate component of equity as ñCumulative translation adjustments of a foreign subsidiary.ò On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign entity is recognized in the consolidated statement of income.

<u>Provisions</u>

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recognized in the profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provisions due to the passage of time is recognized as interest expense.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements but these are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but these are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events after the Reporting Period
Post year-end events that provide additional information about the Companyǿs financial position at the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

Earnings per Share (EPS) - Basic/Diluted
Basic EPS is computed by dividing net income for the year by the weighted average number of issued and outstanding shares of stock during the year (adjusted for any stock dividends). Diluted earnings per share is computed by dividing net income for the year by the weighted average number of issued and outstanding common shares during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an anti-dilutive effect on earnings per share. Where the Company does not have any potential common shares or other instruments that may entitle the holder to common shares, diluted EPS is the same as basic EPS. The Company has no outstanding potential dilutive common shares.

Segment Reporting
The operating businesses are organized and managed separately based on the sources of revenues, with each segment representing a strategic business unit that offers different products.

Segment Assets and Liabilities. Segment assets include all operating assets used by a segment and consist principally of cash equivalents, investments in financial instruments, investment properties, net of allowances and provision for decline in value. Segment liabilities include all operating liabilities and consist principally of accounts payable and other current liabilities.

Inter-segment Transactions. Segment revenue, segment expenses and segment performance may include transfers among business segments. The transfers, if any, are accounted for at agreed prices, normally at cost-plus basis. Such transfers, if any, are eliminated.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect certain reported amounts and disclosures. In preparing the consolidated financial statements, management has made its best judgments, estimates and assumptions of certain amounts, giving due consideration to materiality. The judgments, estimates and assumptions used in the consolidated financial statements are based upon managementǿs evaluation of relevant facts and circumstances as of the reporting date. Actual results could differ from those estimates, and such estimates will be adjusted accordingly.

Judgments
In the process of applying the Companyǿs accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determination of Functional Currency. The Company has determined its functional currency to be the Philippine Peso. It is the currency of the primary economic environment in which the Company operates.

Recognition of Gain on Sale of Investment Properties. The Company recognizes gain on sale of investment properties when all of the following conditions under PAS 18, *Revenue,* have been satisfied:

- the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Assessment of Impairment of AFS Financial Assets - Determination of Significant and Prolonged Decline in Fair Value. The Company determines that an AFS financial asset is impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant and prolonged requires judgment. The Company determines that a decline in fair value greater than 20% of cost is considered to be a significant decline and a decline for a period of more than twelve months is considered to be a prolonged decline. In making this judgment, the Company evaluates, among other factors, the normal volatility in price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

Valuation of Unquoted Equity Securities. The Companyǿs investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost, net of impairment, if any.

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimation of Allowance for Doubtful Accounts. The Company maintains an allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of allowance is evaluated by the Company on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Companyǿs relationship with the customers, average age of accounts and collection experience. The Company performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment losses. The review is accomplished using a combination of specific and collective assessment approaches. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies.

The allowance for probable losses on receivables amounted to ₱3.8 million as at June 30, 2016 and December 31, 2015 and 2014, respectively.

Determination of Fair Value of Investment Properties. The Company recognizes its investment properties at cost. As determined by independent appraiser in February 2011, the fair value of investment properties amounted to ₱4.0 million as at June 30, 2016 and December 31, 2015, respectively. The management assessed that there is no significant change in the fair value of the investment properties from the last appraisal date. The cost of investment properties amounted to ₱1.9 million as at June 30, 2016 and December 31, 2015 respectively.

Assessment of Impairment of Nonfinancial Assets. Impairment review is performed when certain impairment indicators are present. Determining the fair value of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. The preparation of the estimated future cash flows involves judgment and estimations. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the Companyôs financial performance.

Determination of Retirement Costs. The costs of defined benefit pension plans as well as the present value of the pension obligations are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

4. Cash and Cash Equivalents

	2016	2015
Cash on hand and in banks	**₱93,301**	₱98,306
Cash equivalents	**851,726**	858,957
	₱945,027	₱957,263

Cash in banks earn interest at the prevailing bank deposit rates. The Companyôs cash equivalents represent short-term placements and special deposit accounts in reputable banks as at June 30, 2016 and December 31, 2015. Interest income earned is presented as part of ñInvestment incomeò in the consolidated statements of income.

5. Short-Term Investments

The Company has short-term investments in various banks amounting to ₱83.9 million and ₱83.8 million as at June 30, 2016 and December 31, 2015, respectively. Interest income earned is presented as part of ñInvestment incomeò in the consolidated statements of income .

6. Financial Assets at Fair Value through Profit or Loss

This account consists of quoted investments in corporate bonds, government bonds and other equity securities. Interest income earned is presented as part of ñInvestment incomeò in the consolidated statements of income.

7. Receivables

	2016	2015
Dividend receivable	**₱27,809**	₱-
Accrued income from dollar and peso-denominated bonds and placements	**7,216**	7,353
Receivable from third party	**2,500**	2,500
Miscellaneous deposits and others	**1,521**	1,526
Receivable from officers and employees	**107**	131
Others	**729**	413
	39,882	11,923
Less allowance for doubtful accounts on other receivables	**3,768**	3,768
	₱36,114	₱8,155

Miscellaneous deposits and others mainly consist of a bond with the Department of Agrarian Reform in compliance with the Companyôs application for extension of time to develop a parcel of land it owns, minimum corporate income tax and deposits on rental and utilities.

The above receivables, except those provided with allowance, are expected to be collected within the next financial year.

The allowance for doubtful accounts of ₱3.8 million pertains to receivable from third party, miscellaneous deposits and other receivables as at June 30, 2016 and December 31, 2015, respectively.

8. Other Current Assets

	2016	2015
Prepayments and others	**₱317**	₱230
Input VAT	**1,865**	1,450
	2,182	1,680
Less allowance for probable losses on input VAT	**86**	86
	₱2,096	₱1,594

Input VAT will be utilized through application against the Companyôs output VAT.

Prepayments consist of advances to suppliers, prepaid rent, and insurance.

9. Available-for-Sale Financial Assets

	2016	2015
Investments in corporate shares of stocks and golf shares:		
Quoted	**₱37,215**	₱37,132
Unquoted	**278,105**	278,105
	₱315,320	₱315,237

Investments in unquoted shares of stock represent unlisted corporate shares. These are carried at cost less any accumulated impairment losses, as their fair values cannot be reliably measured.

10. Investment Properties

Investment properties consist mainly of parcels of land and other real properties, which are held by the Company for capital appreciation and rental. The Company sold a parcel of land to a local company in February 2015 for a total consideration of ₱0.89 million, gain on sale recognized in profit or loss amounted to ₱0.75 million.

11. Accounts Payable and Other Current Liabilities

	2016	2015
Accounts payable	**₱1,714**	₱2,356
Statutory liabilities	**323**	2,281
	₱2,037	₱4,637

Accounts payable are noninterest-bearing and are currently demandable.

Statutory liabilities comprise of withholding tax payable, fringe benefits payable, output VAT payable, and payables to other government agencies.

12. Equity

Capital and Treasury Stock

	Number of Shares Authorized	Number of Shares Issued and Outstanding	Cost
Capital stock - ₱1 par value	1,500,000	738,314	₱738,314
Less treasury stock:			
Parent Companyôs reacquired shares	ï	54,629	85,333
Parent Company shares held by a subsidiary	ï	1,620	8,577
	ï	56,249	93,910
	1,500,000	682,065	₱644,404

Parent Company Shares Held by a Subsidiary
RIC (a wholly owned subsidiary) holds 1,620 common shares of the Parent Company issued shares. This is presented as part of ñTreasury stocksò in the consolidated statements of financial position and consolidated statements of changes in equity.

Retained Earnings

a. Restriction

The balances of the retained earnings account includes the accumulated net earnings of subsidiaries amounting to ₱228.7 million as at December 31, 2015. This amount is also not available for dividend distribution. Retained earnings are further restricted for the payment of dividends to the extent of the cost of the shares held in treasury.

b. Appropriation

In December 2013, the BOD of the Company approved the reversal of retained earnings appropriated in 2012 amounting to ₱100.0 million and set aside ₱400.0 million for future investment purposes in shares of stocks and financial instruments. The Company is a holding company and its primary purpose involves the buying and selling of shares of stock. Accordingly the Companyôs investment portfolio in shares of stock and in the financial instruments may vary from time to time and increase or decrease depending on the available opportunities. Such opportunities and the timing thereof cannot be foreseen with precise exactitude but when they arise must be taken at full quickly and speedily before they are lost. The investment of the allocated reserve shall be completed within three (3) years from 2014 to 2017.

c. Dividend Declaration

The Company declared dividends as follows:

Year	Date of Declaration	Date of Record	Date of Payment	Amount per share
2015	October 27	November 12	December 4	₱0.15
2014	October 22	November 7	December 1	0.25
2013	October 30	November 14	December 6	0.20

Dividends payable amounted to ₱34.1 million and ₱34.9 million as at June 30, 2016 and December 31, 2015, respectively.

The Companyôs issuance of stock happened only upon its initial public offering last July 17, 1959 with authorized number of shares equal to 80,000,000 shares being offered at ₱0.1 per share.

13. Investment Income

	2016	2015
Dividend received	₱28,561	₱5,891
Cash in banks, time deposits, bonds and placements	18,291	19,311
Mark-to-market loss on financial assets at fair value through profit or loss	11,849	3,564
	₱58,701	₱28,766

14. Financial Instruments

Financial Risk Management Objectives and Policies

The Companyôs principal financial assets comprise of cash and cash equivalents, short-term investments, financial assets at FVPL, investment subject to a repurchase agreement, and AFS financial assets. The main purpose of these financial assets is to earn income for the Companyôs funds and to finance the Companyôs operations. The Companyôs other financial instruments are receivables, accounts payable and other current liabilities, and customersô deposits which arise directly from its operations.

The main risks arising from the Companyôs financial instruments are market risk (equity price risk and foreign currency risk), credit risk and liquidity risk. The BOD reviews and approves the policies for managing each of these risks which are summarized below.

Market Risk. Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate, equity prices and foreign exchange rates.

a. *Equity Price Risk.* Equity price risk is the risk that the fair values of investments in equity securities decrease as a result of changes in the levels of equity indices and the value of individual shares.

   The Company manages equity price risk through diversification and placing limits on individual and total equity investments. The Company's BOD reviews and approves all equity investment decisions.

b. *Foreign Currency Risk.* Foreign currency risk arises from the possibility that future cash flows of financial instruments will fluctuate because of changes in foreign currency exchange rates.

   The Company's exposure to foreign currency risk relates primarily to certain foreign currency-denominated cash and cash equivalents and financial assets at FVPL. To manage future currency risk, the Company considers the trend in the movement of foreign currencies in acquiring foreign currency-denominated investments.

Credit Risk. Credit risk arises when a customer or counterparty fails to discharge an obligation and cause the Company to incur a financial loss.

The Company trades only with recognized, creditworthy third parties. It is the Company's policy that the BOD approves major transactions with third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, short-term investments, financial assets at FVPL, investment subject to a repurchase agreement and AFS financial assets, the Company's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments. The Company manages these financial assets by transacting only with recognized third parties.

Since the Company transacts only with recognized third parties, there is no requirement for collateral. There are no significant concentrations of credit risk.

The aging analyses of the Company's financial assets are as follows:

2016									
	Neither Past Due nor Impaired	**Past Due but not Impaired**						**Individually Impaired**	**Total**
		<30 Days	**30–60 Days**	**60–90 Days**	**90–120 Days**	**>120 Days**	**Subtotal**		
Financial assets at FVPL	**₱402,126**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱402,126**
Loans and receivables:									
Cash and cash equivalents*	**945,018**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**945,018**
Short-term investments	**83,868**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**83,868**
Receivables:									
Dividend receivable	**27,809**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**27,809**
Accrued income from investments	**7,216**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,216**
Receivable from third party	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,500**	**2,500**
Miscellaneous deposits	**45**	**–**	**–**	**–**	**4**	**204**	**208**	**1,268**	**1,521**
Receivable from officers and employees	**107**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**107**
Other receivables	**196**	**24**	**109**	**–**	**–**	**400**	**533**	**–**	**729**
AFS financial assets	**315,320**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**315,320**
	₱1,781,705	**₱24**	**₱109**	**₱–**	**₱4**	**₱604**	**₱741**	**₱3,768**	**₱1, 786,214**

2015									
	Neither Past Due nor Impaired	**Past Due but not Impaired**						**Individually Impaired**	**Total**
		<30 Days	**30–60 Days**	**60–90 Days**	**90–120 Days**	**>120 Days**	**Subtotal**		
Financial assets at FVPL	**₱375,580**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱375,580**
Loans and receivables:									
Cash and cash equivalents*	**957,254**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**957,254**
Short-term investments	**83,795**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**83,795**
Receivables:									
Accrued income from investments	**7,353**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,353**
Receivable from third party	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,500**	**2,500**
Miscellaneous deposits	**4**	**–**	**–**	**–**	**–**	**254**	**254**	**1,268**	**1,526**
Receivable from officers and employees	**131**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**131**
Other receivables	**413**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**413**
AFS financial assets	**315,237**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**315,237**
	₱1,739,767	**₱–**	**₱–**	**₱–**	**₱–**	**₱254**	**₱254**	**₱3,768**	**₱1,743,789**

**Excluding cash on hand.*

Capital Management

The Company considers its issued capital stock and retained earnings as its capital. The primary objective of the Companyǫs capital management is to safeguard the Companyǫs ability to continue as a going concern, so that it can continue to provide returns to stockholders and benefits to other stakeholders.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust its investment portfolio.

The Company does not have externally imposed capital requirements.

The Companyǫs current ratios and debt-to-equity ratios as at June 30, 2016 and December 31, 2015 are as follows:

a. Current Ratio

	2016	2015
Current assets	**₱1,469,231**	₱1,426,387
Current liabilities	**36,197**	39,875
	40.59:1	35.77:1

b. Debt-to-Equity Ratio

	2016	2015
Total liabilities	**₱116,079**	₱120,427
Total equity	**1,684,481**	1,638,409
	0.07:1	0.07:1

Item 2 ï Managementøs discussion and analysis of financial condition and Results of Operations:

The Companyøs total assets as of June 30, 2016 amounted to ₱1.80 billion, of which ₱1.43 billion or about 79% of total assets were mostly in bonds, government securities, and cash reserves. Receivables, Deposits, Prepayments and other current assets amounted to ₱38.21 million, of which 92% or ₱35.03 million representing dividend and interest receivable. Stockholdersô Equity stood at ₱1.68 billion, up slightly from December 31, 2015øs ₱1.64 billion.

The Company is not aware of any event that may trigger direct or contingent material financial obligations, default or acceleration of any obligations. Also, there were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), relationships of the company with unconsolidated entities or other persons created during the reporting period that has not been reflected in June 30, 2016 Financial Statements.

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Results of Operations

The Company registered a net income of ₱45.99 million, higher compared to 2015øs same period performance of ₱4.06 million. Gross revenue increased to ₱58.76 million from ₱28.82 million registered in the same period last year. U.S. dollar currency denominated investments were restated to ₱47.06 : US$1.00 (as of June 30, 2016) same rate registered at the close of 2015. The increase in gross revenue was significantly due to the ₱27.81 Million cash dividend due from SPPI. The General Administrative expenses totaled ₱11.52 million.

The following are the key performance indicators considered by the Company:

Indicator	Calculation	June 30, 2016	June 30, 2015	December 31, 2015
Liquidity				
Current ratio	Current Assets / Current Liabilities	40.59	43.01	35.77
Solvency				
Debt to equity	Total Debt / Stockholdersô Equity	0.07	0.05	0.07
Leverage				
Debt to total assets	Total Debt /Total Assets	0.06	0.05	0.07
Interest Rate Coverage	EBIT/ Interest expense			
Profitability				
Net profit ratio	Net Income / Revenue	78.27%	14.07%	-64.84%
Return on total assets	Net Income /Total Assets	2.55%	0.22%	-1.56%
Return on equity	Net Income / Stockholdersô Equity	2.73%	0.23%	-1.68%
Earnings per share	Net Income / Weighted Average No. of Shares Issued and Outstanding	0.07	0.01	-0.04

Other Matters:

A	Any Changes in accounting policies and methods of computation in interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description or the nature and effect of the change	None
B	Explanatory comments about the season ability or cyclicality of the interim operations	None
C	The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature size or incident	None
D	Segment revenue and segment result for business segments or geographical segments, whichever is the issuers primarily basis of segment reporting. (This shall be provided only if the issuer is required to disclose segment information in its annual financial statements);	Revenue generated by the company is primarily in the nature of interest and dividend earnings.
E	Declaration of dividends	None
F	Other information, material events or happenings that may affect market price of security	None

G	Material events subsequent to the end of the interim period that have not been reflected in the financial statements for interim period	The registrant is not aware of any material event subsequent to end of interim period that has not been reflected in June 30, 2016 Financial Statements.
H	Contracts of merger, consolidation or joint venture or similar agreements	None
I	Unusual changes in liabilities or contingent assets since the last annual balance sheet date	None
J	Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period	None
K	Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period.	None
L	New financing through loans, issuances, repayments of debt and equity securities	None
M	Known trends, demands, commitments, events and uncertainties that will have a material impact on the issuersô liquidity	None, except for the movement of interest rates, Local and foreign currency exchange rates, and Philippine Government / Corporate bond prices.
N	Material commitments for capital expenditures, general purpose and expected sources of funds	None
O	Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/ revenues/income from continuing operations	There are no known trends, events or uncertainties that are reasonably expected to have material favorable or unfavorable impact on net income from continuing operations, other than the movement of interest rates, local and foreign currency exchange rates, and Philippine Government / Corporate bond prices.
P	Significant elements of income or loss that did not arise from continuing operations	None
Q	The causes of any material change/s from period to period in one or more line items of the financial statements	None
R	Seasonal aspects that had a material effect on the financial condition or result of operations	None
S	Disclosures not made under SEC Form 17-C	None
T	Aging of receivables, deposits and prepayments:	See notes to Financial Statements